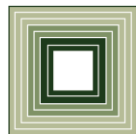# Information Technology Contractors

Joint Legislative Oversight Committee on Information Technology

March 10, 2010

Agenda

- Background
- IT Contractor Special Provision in SB 202 (S.L. 2009-451)
- Participants
- Costs
- Employment Length
- Compensation
- Conversion to State Employees
- Issues
- Recommendations

Background

- Agencies rely on contractors for some IT support.

- Duties vary significantly.
  - Project management
  - Systems support
  - Applications

- Some contractors remain for extended periods.

- Contractors generally cost more that State employees with similar responsibilities.

- Periodic efforts to reduce number of contractors.

Background

- SB 991 (S.L. 2004-129) recommendations included converting contract IT employees involved in "recurring activities."

- December 2004 – State Budget Officer and SCIO requested information on IT operations that included contract employees involved in recurring activities – 333 identified.

- July 2005 – Departments began submitting conversion requests.

2006 Projected Savings
$5.9 million

	Contractor Conversions				Reconciliation - July, 2006		
$K	**Potential Positions to be Converted**	**Positions Approved To Date**	**Estimated Annual Savings $K**	**To-Go Positions to Convert**	**# of Positions filled:**	**'05-'06 Actual Savings $K**	**'06-'07 Projected Savings $K**
DOT	139	122	$7,131	17	4	$0	$2,818
NCCCS	25	2	$182	23	0	$63	$140
DENR	10	2	$110	8	0	$0	$0
HHS	78	78	$1,201	0	38	$65	$967
DPI	29	29	$807	0	29	$572	$807
SBE	9	9	$482	0	9	$572	$820
Treasurer	5	5	$237	0	5	$68	$171
Wildlife	6	6	$232	0	3	$0	$87
Revenue	12	6	$87	6	1	$61	$148
Commerce	1	1	$81	0	0	$0	$0
DOJ	2	2	$93	0	2	$69	$105
CCPS	2	2	$86	0	2	$0	$86
Insurance	3	3	$63	0	3	$26	$15
OSC	5	5	$98	0	5	$86	$82
Corrections	7	1	$17	6	2	$1	$2
Total	**333**	**273**	**$10,907**	**60**	**103**	**$1,583**	**$6,247**
				06-'07 projected savings adjusted for LI ⟶			*$5,904*

Source: OSBM Report, IT Contractor Conversion Status, July 2006

Savings Use

Department	Contractor Conversion Savings Usage
DOT	Fiscal decision - possibly IT projects
NCCCS	Savings to fund CIS IT projects
DENR	Savings applied to IT budget shortfalls
HHS	Savings for DIRM's IT budget shortfalls
DPI	Savings for NCWISE budget/staffing & vendor contracts
SBE	Savings applied to HAVA maintenance
Treasurer	Savings used for salary reserve/banding
Wildlife	Savings used for IT projects
Revenue	Savings applied to critical business functions (staffing/contracts)
Commerce	Minimal savings
DOJ	Savings for one time contract needs, webpage updates etc.
CCPS	Savings revert to the highway fund
Insurance	Savings used to continue dataflex conversion to OTIS
OSC	Savings applied to unidentified needs of Beacon Project
Corrections	Minimal savings

Source: **OSBM Report, IT Contractor Conversion Status, July 2006**

Section 6.18, Senate Bill 202 (S.L. 2009-451)

- Establishes requirements for IT contractor positions
  - 12-month limit
  - Justify through OSBM, ITS, OSP, and FRD
  - Requires agencies to develop plans to replace long term contractors with State employees
  - Requires competition
- Requires agencies to report on IT contractors
  - Monthly report
  - Detailed information
  - Whether function can be performed by State employee
- No exemptions

Implementation

- Reporting scheduled to begin October 1, 2009.

- Agencies report monthly.

- Reports submitted to ITS, OSBM, OSP, FRD, and the Joint Legislative Oversight Committee on Information Technology.

- Agencies provided with detailed guidance on requirements.

- Standard spreadsheet developed.

Participants

- Department of Agriculture and Consumer Services
- Department of Administration
- Office of the State Auditor
- Office of the State Controller
- Department of Commerce
- Department of Correction
- Department of Health and Human Services
- Office of Information Technology Services
- Department of Justice
- Department of Labor
- Department of Public Instruction

- Department of Revenue
- Secretary of State
- Department of Transportation
- Department of the State Treasurer
- North Carolina Community Colleges
- Universities
- North Carolina School of Science and Mathematics
- Industrial Commission
- State Board of Cosmetic Examiners
- Division of Health Service Regulation

Caveats

- Agencies self-report.
  - Numbers of contractors
  - Cost of contractors
  - Comparable State employee cost
- Not every agency is reporting.
- Reporting is not consistent.

Agency Cost Estimates

Agency	Contractors	Total Annual Cost	State Employee Cost	Potential Savings	Latest Data
OSC	11	$1,876,233	$1,312,761	$563,472	March
Correction	14	$1,044,686	$1,180,245	($135,589)	February
DHHS	45	$3,385,383	$2,436,144	$949,239	January
ITS	11	$1,096,040	$832,411	$263,628	November
DPI	5	$1,133,999	$414,161	$719,837	February
Revenue	5	$1,501,344	$463,175	$1,038,169	January
DOT	110	$18,183,023	N/A	N/A	January

Employment Length

Agency	Contractors	Average Length of Employment (Months)	Longest Employment (Months)
OSC	11	31	48
Correction	14	50	152
DHHS	45	40	91
ITS	11	20	29
DPI	5	7	15
Revenue	5	9	17
DOT	110	N/A	N/A

Compensation

Agency	Contractors	Average Hourly Rate	Highest Hourly Rate	Average Compensation	Highest Compensation
OSC	11	$131.18	$180.00	$170,566	$387,900
Correction	14	$41.06	$66.36	$74,620	$140,890
DHHS	45	$67.24	$125.00	$127,797	$200,000
ITS	11	$60.16	$87.50	$199,999	$412,340
DPI	5	$59.49	$75.00	$113,399	$196,650
Revenue	5	$74.40	$76.00	$150,134	$158,080
DOT	110	$78.54	$193.06	$166,816	$617,000

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Conversion to State Employees

Agency	Contractors	Can Convert to State Employees	Pending Conversion Approval	Approved for Conversion
OSC	11	0	0	0
Correction	14	14	0	0
DHHS	45	30	0	0
ITS	11	6	0	0
DPI	5	0	0	0
Revenue	5	0	0	0
DOT	110	85	41	22

Issues

- Visibility

- Hiring freezes create demand

- Alternate contracting methods

- Varying levels of compensation
  – Contractors
  – State employees

- Specialized skills

- No penalties for continuing use of contractors

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Recommendations

- Continue/update special provision
- Standardize contracting process
  - Costs
  - Criteria
  - Time limits
- Review current contractors
- Standardize reporting
- Review IT salaries

Questions

FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

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